

Mr. Dennis Lofe, Chief Executive Officer
Wilson Group
116 Cashua Drive
Darlington, South Carolina 29532

Re: AC# 3-MMC-L6 – Oakhaven, Inc. d/b/a Morrell Memorial Convalescent Center

Dear Mr. Lofe:

The accompanying report has been prepared by our office based on your Medicaid Financial and Statistical Report submitted to the Department of Health and Human Services for the cost report period June 1, 1996 through November 30, 1996. That report was used to set the rate covering the contract periods beginning June 1, 1996.

We are recommending that the Department of Health and Human Services certify an accounts receivable to recover amounts due as a result of the rate change shown on Exhibit A. You will be notified of repayment terms by that Agency.

If you take exception to this report in any manner, you have the right to appeal in accordance with the Code of Laws of South Carolina, 1976 as amended, Title 44, and Department of Health and Human Services Regulation R.126-150, and you must respond in writing within thirty (30) calendar days of the date of this letter. This written response must address the specific items in the report being appealed, and must be directed to the Appeals and Hearings, Department of Health and Human Services, Post Office Box 8206, Columbia, South Carolina 29202-8206. Any correspondence should include the control number appearing on Exhibit A of this report.

Thomas L. Wagner, Jr., CPA
State Auditor

TLWjr/cwc

cc: Ms. Brenda L. Hyleman
Mr. Jeff Saxon
Mr. Robert M. Kerr

**OAKHAVEN, INC. D/B/A
MORRELL MEMORIAL CONVALESCENT CENTER
HARTSVILLE, SOUTH CAROLINA**

**CONTRACT PERIODS
BEGINNING JUNE 1, 1996
AC# 3-MMC-L6**

**REPORT ON CONTRACT
FOR
PURCHASE OF NURSING CARE SERVICES
WITH
STATE OF SOUTH CAROLINA
DEPARTMENT OF HEALTH AND HUMAN SERVICES**

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INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

October 19, 1999

Department of Health and Human Services
State of South Carolina
Columbia, South Carolina

We have performed the procedures described below, which were agreed to by the South Carolina Department of Health and Human Services, solely to compute the rate change and related adjusted reimbursement rate to be used by the Department in determining the reimbursement settlement with Oakhaven, Inc. d/b/a Morrell Memorial Convalescent Center, for the contract periods beginning June 1, 1996, and for the six month cost report period ended November 30, 1996, as set forth in the accompanying schedules. This engagement to apply agreed-upon procedures was performed in accordance with the standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the Department of Health and Human Services. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures and the associated findings are as follows:

1. We tested selected costs or areas based on our analytical procedures applied to the reimbursable Medicaid program costs as shown on the Financial and Statistical Report for Nursing Homes, as filed by Oakhaven, Inc. d/b/a Morrell Memorial Convalescent Center, to determine if these costs were allowable as defined by the State Plan for Medicaid reimbursement purposes and supported by accounting and statistical records maintained by the provider. Our findings as a result of these procedures are presented in the Adjustment Report, Summaries of Costs and Total Patient Days, and Cost of Capital Reimbursement Analyses sections of this report.
2. We recomputed the Computation of Reimbursement Rate using the adjusted costs and calculated the rate change in accordance with the provisions of the contract between the Department of Health and Human Services and Oakhaven, Inc. d/b/a Morrell Memorial Convalescent Center dated as of June 1, 1996 as amended. Our findings as a result of these procedures are presented in the Computation of Rate Change and Computations of Adjusted Reimbursement Rate sections of this report.

Department of Health and Human Services
State of South Carolina
October 19, 1999

We were not engaged to, and did not, perform an audit, the objective of which would be the expression of an opinion on the specified elements, accounts, or items. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the South Carolina Department of Health and Human Services and is not intended to be and should not be used by anyone other than the specified party.

Thomas L. Wagner, Jr., CPA
State Auditor

OAKHAVEN, INC. D/B/A MORRELL MEMORIAL CONVALESCENT CENTER

Computation of Rate Change
For the Contract Periods
Beginning June 1, 1996
AC# 3-MMC-L6

| | 06/01/96- <u>09/30/96</u> | 10/01/96- <u>11/30/96</u> | 12/01/96- <u>09/30/97</u> | 10/01/97- <u>09/30/98</u> |
|--------------------------------|------------------------------|------------------------------|------------------------------|------------------------------|
| Interim reimbursement rate (1) | \$76.39 | \$77.09 | \$80.46 | \$81.19 |
| Adjusted reimbursement rate | <u>76.06</u> | <u>76.75</u> | <u>80.10</u> | <u>80.80</u> |
| Decrease in reimbursement rate | \$ <u>.33</u> | \$ <u>.34</u> | \$ <u>.36</u> | \$ <u>.39</u> |

(1) Interim reimbursement rate from the South Carolina Medicaid Management Information System (MMIS) Provider Rate Listing dated December 8, 1998

OAKHAVEN, INC. D/B/A MORRELL MEMORIAL CONVALESCENT CENTER
 Computation of Adjusted Reimbursement Rate
 For the Contract Period June 1, 1996 Through September 30, 1996
 AC# 3-MMC-L6

| | <u>Profit Incentive</u> | <u>Allowable Cost</u> | <u>Cost Standard</u> | <u>Computed Rate</u> |
|--|-----------------------------|---------------------------|--------------------------|--------------------------|
| <u>Costs Subject to Standards:</u> | | | | |
| General Services | \$2.88 | \$37.68 | \$41.13 | \$37.68 |
| Dietary | <u>-</u> | <u>8.60</u> | <u>8.53</u> | <u>8.53</u> |
| Subtotal | <u>\$2.88</u> | 46.28 | 49.66 | 46.21 |
| Laundry/Housekeeping/Maint. | \$.18 | 6.99 | 7.17 | 6.99 |
| Administration & Med. Rec. | <u>.22</u> | <u>7.64</u> | <u>7.86</u> | <u>7.64</u> |
| Subtotal | <u>\$.40</u> | 60.91 | <u>\$64.69</u> | 60.84 |
| <u>Costs Not Subject to Standards:</u> | | | | |
| Utilities | | 2.35 | | 2.35 |
| Special Services | | - | | - |
| Medical Supplies & Oxy. | | 4.03 | | 4.03 |
| Taxes and Insurance | | 1.03 | | 1.03 |
| Legal Fees | | <u>-</u> | | <u>-</u> |
| TOTAL | | <u>\$68.32</u> | | 68.25 |
| Inflation Factor (N/A) | | | | - |
| Cost of Capital | | | | 6.31 |
| Cost of Capital Limitation | | | | - |
| Profit Incentive (Max. 3.5% of Allowable Cost) | | | | .40 |
| Cost Incentive | | | | 2.88 |
| Effect of \$1.50 Cap on Cost/Profit Incentives and Cost Sharing | | | | <u>(1.78)</u> |
| ADJUSTED REIMBURSEMENT RATE | | | | <u>\$76.06</u> |

OAKHAVEN, INC. D/B/A MORRELL MEMORIAL CONVALESCENT CENTER
 Computation of Adjusted Reimbursement Rate
 For the Contract Period October 1, 1996 Through November 30, 1996
 AC# 3-MMC-L6

| | <u>Profit Incentive</u> | <u>Allowable Cost</u> | <u>Cost Standard</u> | <u>Computed Rate</u> |
|--|-----------------------------|---------------------------|--------------------------|--------------------------|
| <u>Costs Subject to Standards:</u> | | | | |
| General Services | \$3.06 | \$37.68 | \$43.70 | \$37.68 |
| Dietary | <u>-</u> | <u>8.60</u> | <u>8.59</u> | <u>8.59</u> |
| Subtotal | <u>\$3.06</u> | 46.28 | 52.29 | 46.27 |
| Laundry/Housekeeping/Maint. | \$.05 | 6.99 | 7.04 | 6.99 |
| Administration & Med. Rec. | <u>.84</u> | <u>7.71</u> | <u>8.55</u> | <u>7.71</u> |
| Subtotal | <u>\$.89</u> | 60.98 | <u>\$67.88</u> | 60.97 |
| <u>Costs Not Subject to Standards:</u> | | | | |
| Utilities | | 2.35 | | 2.35 |
| Special Services | | - | | - |
| Medical Supplies & Oxy. | | 4.03 | | 4.03 |
| Taxes and Insurance | | 1.03 | | 1.03 |
| Legal Fees | | <u>-</u> | | <u>-</u> |
| TOTAL | | <u>\$68.39</u> | | 68.38 |
| Inflation Factor (N/A) | | | | - |
| Cost of Capital | | | | 6.37 |
| Cost of Capital Limitation | | | | - |
| Profit Incentive (Max. 3.5% of Allowable Cost) | | | | .89 |
| Cost Incentive | | | | 3.06 |
| Effect of \$1.75 Cap on Cost/Profit Incentives and Cost Sharing | | | | (2.20) |
| Minimum Wage Add On | | | | <u>.25</u> |
| ADJUSTED REIMBURSEMENT RATE | | | | <u>\$76.75</u> |

OAKHAVEN, INC. D/B/A MORRELL MEMORIAL CONVALESCENT CENTER

Computation of Adjusted Reimbursement Rate
For the Contract Periods December 1, 1996 Through September 30, 1997
AC# 3-MMC-L6

| | <u>Profit Incentive</u> | <u>Allowable Cost</u> | <u>Cost Standard</u> | <u>Computed Rate</u> |
|--|-----------------------------|---------------------------|--------------------------|--------------------------|
| <u>Costs Subject to Standards:</u> | | | | |
| General Services | \$3.06 | \$37.68 | \$43.70 | \$37.68 |
| Dietary | <u>-</u> | <u>8.60</u> | <u>8.59</u> | <u>8.59</u> |
| Subtotal | <u>\$3.06</u> | 46.28 | 52.29 | 46.27 |
| Laundry/Housekeeping/Maint. | \$.05 | 6.99 | 7.04 | 6.99 |
| Administration & Med. Rec. | <u>.84</u> | <u>7.71</u> | <u>8.55</u> | <u>7.71</u> |
| Subtotal | <u>\$.89</u> | 60.98 | <u>\$67.88</u> | 60.97 |
| <u>Costs Not Subject to Standards:</u> | | | | |
| Utilities | | 2.35 | | 2.35 |
| Special Services | | - | | - |
| Medical Supplies & Oxy. | | 4.03 | | 4.03 |
| Taxes and Insurance | | 1.03 | | 1.03 |
| Legal Fees | | <u>-</u> | | <u>-</u> |
| TOTAL | | <u>\$68.39</u> | | 68.38 |
| Inflation Factor (4.90%) | | | | 3.35 |
| Cost of Capital | | | | 6.37 |
| Cost of Capital Limitation | | | | - |
| Profit Incentive (Max. 3.5% of Allowable Cost) | | | | .89 |
| Cost Incentive | | | | 3.06 |
| Effect of \$1.75 Cap on Cost/Profit Incentives and Cost Sharing | | | | (2.20) |
| Minimum Wage Add On | | | | <u>.25</u> |
| ADJUSTED REIMBURSEMENT RATE | | | | <u>\$80.10</u> |

OAKHAVEN, INC. D/B/A MORRELL MEMORIAL CONVALESCENT CENTER
 Computation of Adjusted Reimbursement Rate
 For the Contract Periods October 1, 1997 Through September 30, 1998
 AC# 3-MMC-L6

| | <u>Profit Incentive</u> | <u>Allowable Cost</u> | <u>Cost Standard</u> | <u>Computed Rate</u> |
|--|-----------------------------|---------------------------|--------------------------|--------------------------|
| <u>Costs Subject to Standards:</u> | | | | |
| General Services | | \$37.68 | \$46.38 | |
| Dietary | | 8.60 | 9.10 | |
| Laundry/Housekeeping/Maint. | | <u>6.99</u> | <u>7.38</u> | |
| Subtotal | <u>\$4.40</u> | 53.27 | 62.86 | \$53.27 |
| Administration & Med. Rec. | <u>\$.94</u> | <u>8.26</u> | <u>9.20</u> | <u>8.26</u> |
| Subtotal | | 61.53 | <u>\$72.06</u> | 61.53 |
| <u>Costs Not Subject to Standards:</u> | | | | |
| Utilities | | 2.35 | | 2.35 |
| Special Services | | - | | - |
| Medical Supplies & Oxy. | | 4.03 | | 4.03 |
| Taxes and Insurance | | 1.03 | | 1.03 |
| Legal Fees | | <u>-</u> | | <u>-</u> |
| TOTAL | | <u>\$68.94</u> | | 68.94 |
| Inflation Factor (4.40%) | | | | 3.03 |
| Cost of Capital | | | | 6.58 |
| Cost of Capital Limitation | | | | - |
| Profit Incentive (Max. 3.5% of Allowable Cost) | | | | .94 |
| Cost Incentive | | | | 4.40 |
| Effect of \$1.75 Cap on Cost/Profit Incentives and Cost Sharing | | | | (3.59) |
| Minimum Wage Add On | | | | <u>.50</u> |
| ADJUSTED REIMBURSEMENT RATE | | | | <u>\$80.80</u> |

OAKHAVEN, INC. D/B/A MORRELL MEMORIAL CONVALESCENT CENTER
 Summary of Costs and Total Patient Days
 For the Cost Report Period Ended November 30, 1996
 For the Contract Period June 1, 1996 Through September 30, 1996
 AC# 3-MMC-L6

| <u>EXPENSES</u> | Totals (From Schedule SC 13) as <u>Adjusted by DH&HS</u> | <u>Debit</u> | Adjustments <u>Credit</u> | Adjusted <u>Totals</u> |
|-------------------------------------|--|--------------------|--------------------------------|---------------------------|
| General Services | \$ 908,909 | \$ - | \$ 7,814(1) 460(1) 76(2) | \$ 900,559 |
| Dietary | 206,595 | - | 1,052(1) | 205,543 |
| Laundry | 15,438 | - | - | 15,438 |
| Housekeeping | 114,642 | - | 932(1) | 113,710 |
| Maintenance | 37,973 | - | 173(1) | 37,800 |
| Administration & Medical Records | 183,622 | - | 932(1) | 182,690 |
| Utilities | 56,255 | - | - | 56,255 |
| Special Services | 61 | - | - | 61 |
| Medical Supplies & Oxygen | 96,302 | - | - | 96,302 |
| Taxes & Insurance | 24,517 | - | - | 24,517 |
| Legal Fees | - | - | - | - |
| Cost of Capital | 148,335 | 1,481(2) 909(3) | - | 150,725 |
| Subtotal | 1,792,649 | 2,390 | 11,439 | 1,783,600 |

OAKHAVEN, INC. D/B/A MORRELL MEMORIAL CONVALESCENT CENTER
 Summary of Costs and Total Patient Days
 For the Cost Report Period Ended November 30, 1996
 For the Contract Period June 1, 1996 Through September 30, 1996
 AC# 3-MMC-L6

| <u>EXPENSES</u> | Totals (From Schedule SC 13) as Adjusted by DH&HS | Adjustments <u>Debit</u> | <u>Credit</u> | Adjusted <u>Totals</u> |
|-----------------------------|---|-----------------------------|-----------------|---------------------------|
| Ancillary | 7,003 | - | - | 7,003 |
| Non-Allowable | <u>105,420</u> | <u>11,363</u> (1) | <u>909</u> (3) | <u>115,874</u> |
| Total Operating Expenses | <u>\$1,905,072</u> | <u>\$13,753</u> | <u>\$12,348</u> | <u>\$1,906,477</u> |
| Total Beds | <u>132</u> | Total Patient Days | | <u>23,899</u> |

OAKHAVEN, INC. D/B/A MORRELL MEMORIAL CONVALESCENT CENTER
Summary of Costs and Total Patient Days
For the Cost Report Period Ended November 30, 1996
For the Contract Periods October 1, 1996 Through September 30, 1997
AC# 3-MMC-L6

| <u>EXPENSES</u> | Totals (From Schedule SC 13) as <u>Adjusted by DH&HS</u> | Adjustments <u>Debit</u> | <u>Credit</u> | Adjusted <u>Totals</u> |
|-------------------------------------|--|-----------------------------|--------------------------------|---------------------------|
| General Services | \$ 908,909 | \$ - | \$ 7,814(1) 460(1) 76(2) | \$ 900,559 |
| Dietary | 206,595 | - | 1,052(1) | 205,543 |
| Laundry | 15,438 | - | - | 15,438 |
| Housekeeping | 114,642 | - | 932(1) | 113,710 |
| Maintenance | 37,973 | - | 173(1) | 37,800 |
| Administration & Medical Records | 185,153 | - | 932(1) | 184,221 |
| Utilities | 56,255 | - | - | 56,255 |
| Special Services | 61 | - | - | 61 |
| Medical Supplies & Oxygen | 96,302 | - | - | 96,302 |
| Taxes & Insurance | 24,517 | - | - | 24,517 |
| Legal Fees | - | - | - | - |
| Cost of Capital | 149,969 | 1,481(2) 884(3) | - | 152,334 |
| Subtotal | 1,795,814 | 2,365 | 11,439 | 1,786,740 |

OAKHAVEN, INC. D/B/A MORRELL MEMORIAL CONVALESCENT CENTER

Summary of Costs and Total Patient Days
For the Cost Report Period Ended November 30, 1996
For the Contract Periods October 1, 1996 Through September 30, 1997
AC# 3-MMC-L6

| <u>EXPENSES</u> | Totals (From Schedule SC 13) as <u>Adjusted by DH&HS</u> | Adjustments | | <u>Adjusted Totals</u> |
|-----------------------------|--|--------------------|-----------------|----------------------------|
| | | <u>Debit</u> | <u>Credit</u> | |
| Ancillary | 7,003 | - | - | 7,003 |
| Non-Allowable | <u>102,255</u> | <u>11,363</u> (1) | <u>884</u> (3) | <u>112,734</u> |
| Total Operating Expenses | <u>\$1,905,072</u> | <u>\$13,728</u> | <u>\$12,323</u> | <u>\$1,906,477</u> |
| Total Beds | <u>132</u> | Total Patient Days | | <u>23,899</u> |

OAKHAVEN, INC. D/B/A MORRELL MEMORIAL CONVALESCENT CENTER
Summary of Costs and Total Patient Days
For the Cost Report Period Ended November 30, 1996
For the Contract Periods October 1, 1997 Through September 30, 1998
AC# 3-MMC-L6

| <u>EXPENSES</u> | Totals (From Schedule SC 13) as <u>Adjusted by DH&HS</u> | Adjustments | | <u>Adjusted Totals</u> |
|-------------------------------------|--|--------------------|--------------------------------|----------------------------|
| | | <u>Debit</u> | <u>Credit</u> | |
| General Services | \$ 908,909 | \$ - | \$ 7,814(1) 460(1) 76(2) | \$ 900,559 |
| Dietary | 206,595 | - | 1,052(1) | 205,543 |
| Laundry | 15,438 | - | - | 15,438 |
| Housekeeping | 114,642 | - | 932(1) | 113,710 |
| Maintenance | 37,973 | - | 173(1) | 37,800 |
| Administration & Medical Records | 198,328 | - | 932(1) | 197,396 |
| Utilities | 56,255 | - | - | 56,255 |
| Special Services | 61 | - | - | 61 |
| Medical Supplies & Oxygen | 96,302 | - | - | 96,302 |
| Taxes & Insurance | 24,517 | - | - | 24,517 |
| Legal Fees | - | - | - | - |
| Cost of Capital | 154,815 | 1,481(2) 884(3) | - | 157,180 |
| Subtotal | 1,813,835 | 2,365 | 11,439 | 1,804,761 |

OAKHAVEN, INC. D/B/A MORRELL MEMORIAL CONVALESCENT CENTER

Summary of Costs and Total Patient Days
For the Cost Report Period Ended November 30, 1996
For the Contract Periods October 1, 1997 Through September 30, 1998
AC# 3-MMC-L6

| <u>EXPENSES</u> | Totals (From Schedule SC 13) as <u>Adjusted by DH&HS</u> | Adjustments <u>Debit</u> <u>Credit</u> | | <u>Adjusted Totals</u> |
|-----------------------------|--|---|-----------------|----------------------------|
| Ancillary | 7,003 | - | - | 7,003 |
| Non-Allowable | <u>84,234</u> | <u>11,363</u> (1) | <u>884</u> (3) | <u>94,713</u> |
| Total Operating Expenses | <u>\$1,905,072</u> | <u>\$13,728</u> | <u>\$12,323</u> | <u>\$1,906,477</u> |
| Total Beds | <u>132</u> | Total Patient Days | | <u>23,899</u> |

OAKHAVEN, INC. D/B/A MORRELL MEMORIAL CONVALESCENT CENTER

Adjustment Report
Cost Report Period Ended November 30, 1996
AC# 3-MMC-L6

| ADJUSTMENT NUMBER | ACCOUNT TITLE | DEBIT | CREDIT |
|----------------------|--|----------|----------|
| 1 | Nonallowable | \$11,363 | |
| | Nursing | | \$ 7,814 |
| | Restorative | | 460 |
| | Dietary | | 1,052 |
| | Housekeeping | | 932 |
| | Maintenance | | 173 |
| | Administration | | 932 |
| | To adjust health insurance and related allocation to allowable HIM-15-1, Section 2304 State Plan, Attachment 4.19D | | |
| 2 | Fixed Assets | 17,555 | |
| | Cost of Capital | 1,481 | |
| | Restorative | | 76 |
| | Accumulated Depreciation | | 8,750 |
| | Other Equity | | 10,210 |
| | To adjust fixed assets and related depreciation to allowable HIM-15-1, Section 2304 State Plan, Attachment 4.19D | | |
| 3 | Cost of Capital | 909 | |
| | Nonallowable | | 909 |
| | To adjust capital return to allowable State Plan, Attachment 4.19D | | |
| | (This adjustment applies only to the rate period June 1, 1996 through September 30, 1996) | | |
| 3 | Cost of Capital | 884 | |
| | Nonallowable | | 884 |
| | To adjust capital return to allowable State Plan, Attachment 4.19D | | |
| | (This adjustment applies only to the rate periods October 1, 1996 through September 30, 1997) | | |

OAKHAVEN, INC. D/B/A MORRELL MEMORIAL CONVALESCENT CENTER

Adjustment Report
Cost Report Period Ended November 30, 1996
AC# 3-MMC-L6

| ADJUSTMENT NUMBER | ACCOUNT TITLE | DEBIT | CREDIT |
|----------------------|---|----------|----------|
| 3 | Cost of Capital Nonallowable | 884 | 884 |
| | To adjust capital return to allowable State Plan, Attachment 4.19D | | |
| | (This adjustment applies only to the rate periods October 1, 1997 through September 30, 1998) | | |
| | | _____ | _____ |
| | TOTAL ADJUSTMENTS | \$33,076 | \$33,076 |

Due to the nature of compliance reporting, adjustment descriptions and references contained in the preceding Adjustment Report are provided for general guidance only and are not intended to be all-inclusive.

OAKHAVEN, INC. D/B/A MORRELL MEMORIAL CONVALESCENT CENTER
 Cost of Capital Reimbursement Analysis
 For the Cost Report Period Ended November 30, 1996
 For the Contract Period June 1, 1996 Through September 30, 1996
 AC# 3-MMC-L6

| | |
|--|-----------------------|
| Original Asset Cost (Per Bed) | \$ 15,618 |
| Inflation Adjustment | <u>1.9778</u> |
| Deemed Asset Value (Per Bed) | 30,889 |
| Number of Beds | <u>132</u> |
| Deemed Asset Value | 4,077,348 |
| Improvements Since 1981 | 270,317 |
| Accumulated Depreciation at 11/30/96 | <u>(948,141)</u> |
| Deemed Depreciated Value | 3,399,524 |
| Market Rate of Return | <u>0.072</u> |
| Total Annual Return | 244,766 |
| Number of Days in Period | <u>183/366</u> |
| Adjusted Annual Return | 122,383 |
| Return Applicable to Non-Reimbursable Cost Centers | - |
| Allocation of Interest to Non-Reimbursable Cost Centers | <u>-</u> |
| Allowable Annual Return | 122,383 |
| Depreciation Expense | 32,240 |
| Amortization Expense | - |
| Capital Related Income Offsets | (3,898) |
| Allocation of Capital Expenses to Non-Reimbursable Cost Centers | <u>-</u> |
| Allowable Cost of Capital Expense | 150,725 |
| Total Patient Days (Minimum 97% Occupancy) | <u>23,899</u> |
| Cost of Capital Per Diem | \$ <u><u>6.31</u></u> |

OAKHAVEN, INC. D/B/A MORRELL MEMORIAL CONVALESCENT CENTER
Cost of Capital Reimbursement Analysis
For the Cost Report Period Ended November 30, 1996
For the Contract Period June 1, 1996 Through September 30, 1996
AC# 3-MMC-L6

| | |
|--|---------------|
| 6/30/89 Cost of Capital and Return on Equity | |
| Capital Per Diem Reimbursement | \$3.80 |
| Adjustment for Maximum Increase | <u>3.99</u> |
| Maximum Cost of Capital Per Diem | <u>\$7.79</u> |
| Reimbursable Cost of Capital Per Diem | \$6.31 |
| Cost of Capital Per Diem | <u>6.31</u> |
| Cost of Capital Per Diem Limitation | \$ <u>-</u> |

OAKHAVEN, INC. D/B/A MORRELL MEMORIAL CONVALESCENT CENTER
 Cost of Capital Reimbursement Analysis
 For the Cost Report Period Ended November 30, 1996
 For the Contract Periods October 1, 1996 Through September 30, 1997
 AC# 3-MMC-L6

| | |
|--|-----------------------|
| Original Asset Cost (Per Bed) | \$ 15,618 |
| Inflation Adjustment | <u>2.0472</u> |
| Deemed Asset Value (Per Bed) | 31,973 |
| Number of Beds | <u>132</u> |
| Deemed Asset Value | 4,220,436 |
| Improvements Since 1981 | 270,317 |
| Accumulated Depreciation at 11/30/96 | <u>(948,141)</u> |
| Deemed Depreciated Value | 3,542,612 |
| Market Rate of Return | <u>0.070</u> |
| Total Annual Return | 247,983 |
| Number of Days in Period | <u>183/366</u> |
| Adjusted Annual Return | 123,992 |
| Return Applicable to Non-Reimbursable Cost Centers | - |
| Allocation of Interest to Non-Reimbursable Cost Centers | <u>-</u> |
| Allowable Annual Return | 123,992 |
| Depreciation Expense | 32,240 |
| Amortization Expense | - |
| Capital Related Income Offsets | (3,898) |
| Allocation of Capital Expenses to Non-Reimbursable Cost Centers | <u>-</u> |
| Allowable Cost of Capital Expense | 152,334 |
| Total Patient Days (Minimum 97% Occupancy) | <u>23,899</u> |
| Cost of Capital Per Diem | \$ <u><u>6.37</u></u> |

OAKHAVEN, INC. D/B/A MORRELL MEMORIAL CONVALESCENT CENTER
Cost of Capital Reimbursement Analysis
For the Cost Report Period Ended November 30, 1996
For the Contract Periods October 1, 1996 Through September 30, 1997
AC# 3-MMC-L6

| | |
|--|---------------|
| 6/30/89 Cost of Capital and Return on Equity | |
| Capital Per Diem Reimbursement | \$3.80 |
| Adjustment for Maximum Increase | <u>3.99</u> |
| Maximum Cost of Capital Per Diem | <u>\$7.79</u> |
| Reimbursable Cost of Capital Per Diem | \$6.37 |
| Cost of Capital Per Diem | <u>6.37</u> |
| Cost of Capital Per Diem Limitation | \$ <u>-</u> |

OAKHAVEN, INC. D/B/A MORRELL MEMORIAL CONVALESCENT CENTER
 Cost of Capital Reimbursement Analysis
 For the Cost Report Period Ended November 30, 1996
 For the Contract Periods October 1, 1997 Through September 30, 1998
 AC# 3-MMC-L6

| | |
|--|-----------------------|
| Original Asset Cost (Per Bed) | \$ 15,618 |
| Inflation Adjustment | <u>2.1144</u> |
| Deemed Asset Value (Per Bed) | 33,022 |
| Number of Beds | <u>132</u> |
| Deemed Asset Value | 4,358,904 |
| Improvements Since 1981 | 270,317 |
| Accumulated Depreciation at 11/30/96 | <u>(948,141)</u> |
| Deemed Depreciated Value | 3,681,080 |
| Market Rate of Return | <u>0.070</u> |
| Total Annual Return | 257,676 |
| Number of Days in Period | <u>183/366</u> |
| Adjusted Annual Return | 128,838 |
| Return Applicable to Non-Reimbursable Cost Centers | - |
| Allocation of Interest to Non-Reimbursable Cost Centers | <u>-</u> |
| Allowable Annual Return | 128,838 |
| Depreciation Expense | 32,240 |
| Amortization Expense | - |
| Capital Related Income Offsets | (3,898) |
| Allocation of Capital Expenses to Non-Reimbursable Cost Centers | <u>-</u> |
| Allowable Cost of Capital Expense | 157,180 |
| Total Patient Days (Minimum 97% Occupancy) | <u>23,899</u> |
| Cost of Capital Per Diem | \$ <u><u>6.58</u></u> |

OAKHAVEN, INC. D/B/A MORRELL MEMORIAL CONVALESCENT CENTER
Cost of Capital Reimbursement Analysis
For the Cost Report Period Ended November 30, 1996
For the Contract Periods October 1, 1997 Through September 30, 1998
AC# 3-MMC-L6

| | |
|--|---------------|
| 6/30/89 Cost of Capital and Return on Equity | |
| Capital Per Diem Reimbursement | \$3.80 |
| Adjustment for Maximum Increase | <u>3.99</u> |
| Maximum Cost of Capital Per Diem | <u>\$7.79</u> |
| Reimbursable Cost of Capital Per Diem | \$6.58 |
| Cost of Capital Per Diem | <u>6.58</u> |
| Cost of Capital Per Diem Limitation | \$ <u>-</u> |